

Blueprint or “As proposed” Appraisal – Lenders will typically require an appraisal to estimate the current market value of the project including land **presuming it is 100% complete as of the effective date**. A real estate appraiser will consult with the applicant/builder, review blueprints, the construction budget to determine the specifications of the home. Our appraisers will ask the applicant to fill out a client checklist AKA Blueprint Questionnaire to ensure the appraiser can value the property as accurately as possible. The appraiser will analyze sales of similar homes and estimate the market value ‘as proposed.’

Progress draws – When building a home with financing the lender will generally require progress draws which estimate percentage complete so that they will release funds. The progress draw is based on the original ‘as proposed’ appraisal and **relates the completion percentage to the market value** in that appraisal. Many lenders have between 4 and 6 progress draws built into the financing procedure. Progress draws are completed by appraisers and ideally by the appraiser who completed the original ‘as proposed’ appraisal. Progress draws may be follow specific guidelines, ie. when foundation is complete and ready to frame main floor, when framing is complete, when drywall is complete and when home is 95%+ complete. Note that there is typically a 10% holdback on the percentage complete to which the lender does not release 100% of the percentage complete. There is also typically a 10% holdback when construction is fully complete with a 40 day period before releasing all of the funds.

RTMs – RTM builders will require a **downpayment** prior to starting construction – the lender will not provide funds for the RTM until it is moved on site. Generally lenders will release funds once the foundation is complete and ready for the RTM to be moved provided there is a progress draw completed. Once the RTM is moved on site typically a progress draw is ordered so that the bank can release those funds to that the RTM can be paid for. Once construction is complete with heating, electrical, servicing a final progress draw is ordered so that the final release can commence.

TIP: Contractors and Trades - Payment- You need to know payment terms for all trades and materials upfront. If you are paying your contractors and trades people based on the progress draws at roughly 25% intervals, you need to communicate that with them. Having a large line of credit or having a large credit limit on your credit card can alleviate some of this issue and then you can re-imburse yourself when the bank releases funds.

TIP: Contractors and Trades – Changes during construction: Deciding part way through that you want to save some money buy doing some of the work yourself or having ‘your guy’ do part of the project will definitely cause some tension. Making changes to the design or materials will complicate things as they may result in new plans, electrical or plumbing modifications that will likely come an added **out of pocket** cost that can’t be added to the existing construction mortgage. If you’re going to be finishing the basement or building a garage at a later date **do not** include that in your initial construction mortgage unless it’s going to be done within the 12 month period.

TIP: Reimbursements happen when item is installed - If you **prepay** for materials, or **put deposits** on cabinets, etc remember you are **not reimbursed until the items are installed on site**. If you have an existing line of credit or credit card you could opt to pay for these items using that.

TIP: Remember the time Limits -You have a time limit from the time construction starts to have it done - generally 12 months (from application not start of work). Work that is not going to be done within that time period should not be financed in that original construction mortgage.



Canadian construction involves a number of rules and regulations, and when planning a new build it's important for you to be aware of them and how they impact your project:

*Title Considerations* – review of the current title can indicate whether or not there are interests registered that must be dealt with PRIOR to starting construction such as liens, mortgages, parcel ties, easements, restrictive covenants, etc.

*Zoning and land use bylaws* – Municipalities have specific rules and regulations regarding construction, property use, setbacks, building heights, outbuildings, garages, etc which need to be adhered to. Note that specific subdivisions or sites may have additional land use regulations that must be adhered to often with respect to design, square footages, etc.

*Environmental testing* – depending on the location and the neighboring property current and historic uses this may be a financing requirement. A phase 1 is step 1, with a phase 2 involving soil testing.

*Site Surveys* – this will ensure you are aware of the site boundaries, from there the setbacks can be factored in.

*Utility locates* – understanding where the utilities are in relation to the property must be completed. Note that depending on the location of the utilities you may need to contact the utility company to obtain permission, or have an easement registered.

*Soil and or Geotechnical investigations* – depending on the site this may be required noting construction should be on undisturbed soil with appropriate load bearing capacity

*Water Source* – depending on where you are building you may be required to tie into a municipal system. Alternatively if you are contemplating a well it's important to determine; can you find water on site? At what depth? What is the capacity? Is the water suitable for human consumption?

*Septic System* – Depending on the municipality and the size of the parcel a septic mound may be required which comes at a higher cost.

*Building Codes* – most municipalities insist that new construction is up to the most recent national building code.

*Drafting blueprints* – municipality may require professionally drafted and engineered blueprints prior to issuing a building permit.

*Building permit* – likely required by the municipality. Often requires blueprints, site plans and cost estimates.

*Permit timeframes* – Municipalities typically have timeframes to which construction needs to have started once the permit is approved.

*Licensing of trades and subtrades* – Often municipalities have licensing requirements for trades and subtrades which are to be followed.

*Construction insurance* – required throughout the build

*Appraisal inspections* – lenders may require a professional real estate appraiser to complete an 'as proposed' appraisal as well as progress inspections to assist with loan proceed disbursement.

*Building inspections* – A municipal inspector will be completing periodic inspections of the new build at specified intervals to ensure codes and bylaws are adhered to.

*Assessment Inspection* – Once construction is complete an assessor will likely complete a physical inspection of the interior and exterior of the property in order to assist with property tax assessment.